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NATIONAL INTELLIGENCE DAILY CABLE

Friday February 11, 1977

CG NIDC 77-034C

State Department review completed



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Approved For Release 2006/03/17 : CIA-RDP79T00975A029800010020-9

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National Intelligence Daily Cable for Friday, February 11, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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## NETHERLANDS: Labor Unrest

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[ ] Dutch employers and striking unionists appear to be making progress in settling a rapidly spreading labor dispute, which has already idled some 20,000 workers. However, if negotiations break down, the Dutch government may find it necessary to intervene. The strikes, which have broken several years of general labor peace in the Netherlands, are aimed at forcing employers to continue to accept the principle of indexing wages to cost-of-living increases, but the unusual militancy of the Dutch unions also reflects their determination to move now toward achieving more influence over business policy.

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[ ] For several years, the Netherlands has lost fewer working hours through strikes than has any other country in the European Community. A shift by labor toward tougher tactics has been gathering steam, however. Disagreements have focused on the unions' goal of further narrowing income differentials--although the gap between rich and poor in the Netherlands is already smaller than in any other country in the industrialized West--and on the extent of worker participation in company investment decisions.

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[ ] The latest strikes were launched early this week after employers maintained a solid front against union demands that wage indexing be retained in a new national wage agreement. Employers, faced with diminishing profit margins and prospects of

continued sluggish investment, insist that they no longer can commit themselves to "handing out a blank check" every year. The unions have responded by refusing to negotiate on wage increases without employers' advance agreement to automatic cost-of-living compensation.

25X1 [ ] The unions are apparently willing to limit their gains in real wages as long as the cost-of-living pay adjustment is maintained. Employers, however, seem to fear that a new wage agreement might open the door to further demands by labor. Labor leaders appreciate the need for wage restraint, but they maintain that the government and employers must in return come up with assurances that new employment-creating investment will be forthcoming and that the workers will have a greater say in corporate decision-making.

25X1 [ ] The Dutch economy since 1970 has been faced with stagnant private investment, falling rates of return on investment, rapid inflation, and an increase in the size of the public sector. The basic cause is the government's expansion of the social welfare system in advance of the nation's ability to pay for it. The result has been a rising tax burden, particularly on business, and inflation created by the competition among various groups for an unreduced share of the national income.

25X1 [ ] So far, the government, abiding by the initial wishes of both labor and employers, has not moved to resolve the deadlock. Pressures on the government, which faces a general election in May, are mounting, however, and the opposing sides are also showing signs that they want the government to step in.

25X1 [ ] The government could take a hand:

- By relenting in its determination not to let industry reflect the cost-of-living wage increase in product prices.
- By using a substantial excess in funds amassed last year for social security payments to assist or pay for an automatic wage increase.
- By reducing corporate taxes to offset the wage increase.

25X1 [ ] A compromise solution will probably soon be found that will satisfy the rank-and-file workers. There will be no easy answer, however, to the longer range goals of the union leaders.

25X1 [ ] An even greater challenge to employers lies ahead. The unions are pushing a bill now before parliament that would tax "excess profits" to create a central fund, probably to be administered by the unions. Employers fear that this could lead to union control over Dutch industry, although the bill's sponsors assert that it would be used mainly to finance pension schemes.

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LEBANON: Heavy Fighting

25X1 [ ] Troops of the largely Syrian, Arab peacekeeping forces clashed yesterday with commandos supporting the Palestinian "rejection front" near the Sabra refugee camp in the southern outskirts of Beirut. The fighting, the first involving the peacekeeping forces since December 21, was heavy and involved the use of tanks and artillery.

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[redacted] Arab diplomatic sources reported that the peacekeeping forces were supported by commandos of the Syrian-controlled Saiqa organization. While details are vague, the fighting may have been caused by attempts by the peacekeeping forces to seize heavy weapons held by the "rejectionists." [redacted]

SIERRA LEONE: Continuing Unrest

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[redacted] Demonstrations against the Sierra Leone government continued yesterday in outlying towns, but Freetown was calm.

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[redacted] Primary and secondary schools in the capital have reopened, but attendance is low. The university remains closed pending completion of repairs necessitated by extensive damage during the violent demonstrations last week.

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[redacted] The current unrest has been building for some time. Discontent over Sierra Leone's economic performance had already been increasing. Although students initiated the demonstrations, they apparently have considerable public sympathy.

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[redacted] The students have been calling for the resignation of 71-year-old President Stevens, who came to power eight years ago after a period of political instability. Stevens has erected a strong presidential system and a de facto one-party state. His party, however, has a narrow ethnic base and is badly factionalized.

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[redacted] Deep divisions within the party and the country as a whole are likely to remain, even if outward calm is restored. Stevens has survived two coup attempts since he came to power, and a succession struggle for his position seems likely.

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USSR-CHINA: "Observer" Article

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[redacted] The Soviets on Wednesday rebutted China's continuing propaganda attacks on the USSR, using as the vehicle an authoritative "Observer" article in *Pravda*. It is the first time the

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propaganda attacks on the USSR, using as the vehicle an authoritative "Observer" article in *Pravda*. It is the first time the Soviet press has responded to China's charges since the death of Mao Tse-tung in September.

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[ ] The more-in-sorrow-than-in-anger tone of the article suggests that the *Pravda* piece is mainly for the record. Moscow almost surely does not plan an immediate resumption of all-out propaganda attacks on the Chinese because the Soviets may still have some hope for an easing of Sino-Soviet tensions. The Soviets probably also see some value in giving the US the impression that there is a possibility of a Sino-Soviet rapprochement.

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[ ] The article is one more sign, however, of Soviet frustration over the failure of efforts to start a dialogue with China's new leaders. Last week, a Soviet radio broadcast by a prominent *Izvestia* commentator, Aleksandr Bovin, attacked Chinese policies in a way that had not been seen since Mao's death. In a probable effort to produce some movement in the apparently stalemated border talks, the Soviets also let it be known that they are contemplating withdrawing their chief negotiator from the talks in Peking.

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[ ] Summary versions of the article indicate that it focused on answering the charges China leveled in a party circular in January at the Soviets' alleged desire to "subjugate" China. "Observer" ridiculed the charge as one made in the spirit of the cold war.

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[ ] To buttress his case that the USSR really wants better relations with China, "Observer" cited old Soviet proposals to the Chinese for non-use of force and nonaggression treaties. The article indicated that Moscow had made at least one new proposal in recent months. [ ]

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EC-PORTUGAL: Membership Bid

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[ ] //Foreign ministers of the European Community agreed in principle this week to accept a Portuguese bid for membership but said that many economic and political problems must be overcome before a date can be set to begin negotiations.//

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[ ] //The EC decision reflects an effort by the Nine to develop a common position on the question of Portugal's membership before Portuguese Prime Minister Soares begins his tour of EC capitals on Monday. Soares plans to visit London, Dublin, Rome, and Copenhagen next week; he expects to complete his tour early next month with visits to Paris, Bonn, Amsterdam, Luxembourg, and Brussels.//

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[ ] //Soares undoubtedly will proclaim the EC decision as a personal victory, given the overriding importance he has attached to securing an EC commitment to full Portuguese membership. The French and the Belgians had earlier resisted such a commitment, suggesting "associate" status for Portugal.//

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[ ] //The West Germans and the British, however, have offered the Portuguese stronger support, arguing in part that the EC simply cannot refuse an application from a democratic European state. They are also afraid that to offer anything less than full membership would be seen as a European "rejection" of Portugal and that this would seriously undermine Soares' political standing at home.//

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[ ] //EC foreign ministers contemplate a lengthy transition period prior to Portugal's membership during which international and EC efforts would be made to help stabilize the Portuguese economy. Although the Community, as such, has no plans for increasing its economic assistance to Portugal, it will probably play a role in coordinating its members' offers of bilateral assistance. West Germany is likely to be the major source of such aid.//

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[ ] //A long transition would be welcomed by the Belgians and the Dutch, who have complained that the Community's internal decision-making machinery should be strengthened before the EC adds new members. French Prime Minister Barre has also warned that major adjustments in the EC's agricultural policy, particularly with regard to wine, fruits, and vegetables, will be necessary before any Mediterranean state joins the Community.//

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[ ] //The French and the Belgians are also concerned over the prospects for long-term political stability in Portugal and the embarrassment a major shift to the right or left

would cause if the Community moved precipitously in accepting Portugal. Although the Nine discussed ways in which Portugal could be drawn into their political consultations during the transition period, this was rejected on the grounds it would only lead to demands from other Mediterranean states for similar treatment.//

25X1 [ ] //The foreign ministers undoubtedly intended their statement on Portuguese accession as a signal to both Greece and Spain that the Community's position in future negotiations will be influenced strongly by both political and economic considerations. Although negotiations with Greece are now well under way, the Nine have only recently begun to consider seriously the broader questions posed by enlargement. In a speech to the European Parliament last week, EC Commission president Jenkins cautioned that the Nine must carefully study institutional as well as economic implications of enlargement.//

25X1 [ ] //The EC foreign ministers hope to take up these  
25X1 questions when they meet in the UK in late May for informal  
25X1 talks. [ ]

#### ECUADOR: Relations with US and Peru

25X1 [ ] Ecuador's divided and weak military government has been at least temporarily united by concern over Peruvian intentions toward an oil-rich area in northeastern Ecuador. The personal rivalries and plotting that threatened the Ecuadorean junta in December, when army commander General Luis Duran was attempting to oust his colleagues, have subsided for now.

25X1 [ ] The tensions created by the recent cancellation of a proposed visit to Quito by Peruvian President Morales Bermudez, along with shifts of Peruvian military units to an area close to the Ecuadorean border, raised fears in Quito that Peru would invade the country. Ecuador has vivid memories of its 1941 war with Peru, in which it lost 200,000 square kilometers of territory.

25X1 [ ] The concerns of the leaders in Quito are now focused on procuring military equipment to counter what is perceived to be the growing threat from Peru. In a desire to mount a

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credible defense against its southern neighbor, Ecuador has recently requested a \$20-million foreign military sales credit from the US, double the figure for fiscal year 1977. Ecuadorean military leaders are also interested in purchasing interceptor aircraft; they have already acquired M-16 rifles, antitank weapons, and other munitions from the US.

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[ ] The junta has reacted strongly to the US veto of its attempted purchase of Kfir aircraft from Israel. Relations with the US are likely to suffer because the Ecuadoreans, who are genuinely concerned for their safety, are perplexed by the US position. Ecuadorean leaders have told the US ambassador that they would not be satisfied with the F-5E and will now seek aircraft elsewhere even though they may be more expensive.

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[ ] The shift in government attitudes has undercut a recent initiative by Ecuador's new foreign minister to improve relations with the US.

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[ ] Despite the distractions of a threat from Peru, however, the longer term political situation in Quito will remain shaky. Given General Duran's continuing ambitions and the inherent fragility of the government, the likelihood that he will attempt to seize power is strong. [ ]

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#### NORTH KOREA: Reunification Plan

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[ ] North Korea is using its peaceful reunification proposal of January 25 to counter South Korean President Pak's call for a bilateral nonaggression pact and to forestall any moves by the major powers toward a "two-Korea" understanding that might accompany a withdrawal of US troops.

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[ ] The proposal of January 25 was presented as a letter issued in the name of 18 North Korean political organizations, although the letter was reportedly written by President Kim Il-sung. It calls for a "political conference of representatives of all the political parties, public organizations, and people... in the north and south" that desire reunification. The South Korean government will be allowed to participate in the conference only if it agrees "to withdraw its 'two-Korea' policy and renounce 'anti-communism'." North Korea is thus closing the door to official South Korean participation.

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[ ] The North has been calling for such a broadly based conference for at least five years, but the original concept presented at the North-South talks in 1972 included South Korean government participation. Pyongyang has consistently ruled out talks with Seoul since the break-off of the North-South talks in 1973. At this point, North Korea has no realistic hope of negotiating reunification with the Pak government in any forum.

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[ ] North Korean defensiveness on the "two-Korea" issue is evident in the letter's references to "the danger of permanent split" as a question of immediate importance. It urges "all the people who love the country...to turn out as one man on the road of struggle in frustrating the 'two-Koreas' plot of the national splittists (the Pak government)."

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[ ] At the gathering that issued the proposal, political committee member Yang Hyong-sop underscored Kim's concern by terming the drive against a permanently divided Korea "the most important task facing our people." His emphasis seems particularly revealing given the other serious problems facing Pyongyang at this time--including international debts, internal economic difficulties, and a tarnished international image.

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[ ] One of Kim's primary concerns is that the major powers will formally accept a divided Korea in order to preserve stability in North Asia, thereby foreclosing the possibility of reunification on Kim's terms.

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[ ] Recent moves that put Japan in the forefront in promoting a two-Korea policy may have helped to heighten North Korea's concern about the prospects for reunification. Yang attacked both Japanese and South Korean authorities for "taking part in the implementation of the two-Koreas policy of the US."

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[ ] Kim, of course, is also well aware that the Soviets and Chinese tacitly accept a divided Korea. Although both publicly support the North Korean position on "peaceful reunification"--much more lukewarmly than Kim would like--the North Koreans have tried in the past to stop certain Soviet moves that would imply a two-Korea policy.

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[redacted] Several reasons suggest that the North might choose to refocus its propaganda efforts on peaceful reunification at this juncture. A year ago, Pyongyang's commentary began to focus on the charge that the US military presence is the greatest source of tension on the peninsula--a traditional theme in the North's efforts to build support for its annual UN resolution calling for the withdrawal of US troops. Last fall, after some diplomatic setbacks, the North withdrew the UN resolution prior to the debate, and its anti-US campaign subsided.

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[redacted] Now, with a new US administration contemplating a troop reduction, Pyongyang probably believes that a resumption of the anti-US theme would be inappropriate or even counterproductive. Instead, emphasis on the peaceful nature of reunification might help repair Pyongyang's tarnished international image, while emphasis on reunification as such could help forestall any moves by the major powers toward a "two-Korea" understanding that might accompany a US troop reduction.

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[redacted] If the North is thinking along these lines, the current campaign will certainly continue for some time. Indeed, Pyongyang might well go ahead with its proposed "conference" with the intention of reaping propaganda value thereafter by re-playing the "accomplishments" of the conference. [redacted]

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